



uMfolozi Municipality  
Annual Financial Statements  
for the year ended 30 June 2017

## **uMfolozi Municipality**

Annual Financial Statements for the year ended 30 June 2017

### **General Information**

---

<b>Legal form of entity</b>	Municipality
<b>Mayoral committee</b>	
Mayor	SW Mgenge ME Ntshangase BT Mnqayi FPB Mpungose FM Thusi SK Ngema
<b>Grading of local authority</b>	1
<b>Accounting Officer</b>	K E Gamede
<b>Chief Finance Officer</b>	JV Nkosi
<b>Registered office</b>	25 Bredelia Street Kwa-Mbonambi 3915
<b>Postal address</b>	P.O Box 96 Kwa-Mbonambi 3915
<b>Bankers</b>	ABSA Bank
<b>Auditors</b>	Auditor General South Africa
<b>Telephone</b>	(035) 580-1421
<b>Fax Number</b>	(035) 580-1141
<b>E-mail Address ( Accounting Officer)</b>	gamedeke@mbonambi.co.za

# **uMfolozi Municipality**

Annual Financial Statements for the year ended 30 June 2017

## **Index**

---

The reports and statements set out below comprise the annual financial statements presented to the council:

<b>Index</b>	<b>Page</b>
Accounting Officer's Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Changes in Net Assets	6
Statement of Cash Flows	7
Statement of Comparison of Budget and Actual Amounts	8
Accounting Policies	9 - 20
Notes to the Annual Financial Statements	22 - 36

## **uMfolozi Municipality**

Annual Financial Statements for the year ended 30 June 2017

### **Accounting Officer's Responsibilities and Approval**

---

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

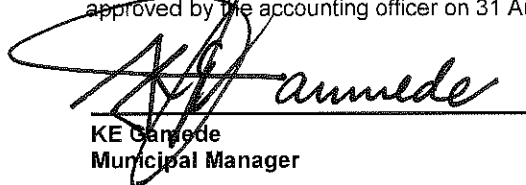
The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 31 December 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The annual financial statements set out on pages 4 to 36, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017 and were signed on its behalf by:



KE Camede  
Municipal Manager

## uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016
<b>Assets</b>			
Current Assets			
Receivables from Non-Exchange Transactions	3	5 338 350	10 802 592
Other receivables from non-exchange transactions	4	(375 530)	80 579
VAT receivable	5	5 891 508	3 099 196
Cash and cash equivalents	6	1 610 901	210 604
		<b>12 465 229</b>	<b>14 192 971</b>
Non-Current Assets			
Property, plant and equipment	7	236 316 750	183 948 794
Intangible assets	8	1 108 068	11 577
		<b>237 424 818</b>	<b>183 960 371</b>
<b>Total Assets</b>		<b>249 890 047</b>	<b>198 153 342</b>
<b>Liabilities</b>			
Current Liabilities			
Other financial liabilities	10	336 212	-
Finance lease obligation	11	1 728 379	1 278 980
Payables from exchange transactions	12	38 475 116	25 163 685
Unspent conditional grants and receipts	13	6 044 449	5 564 291
		<b>46 584 156</b>	<b>32 006 956</b>
Non-Current Liabilities			
Other financial liabilities	10	6 663 788	-
Finance lease obligation	11	5 360 560	2 979 386
		<b>12 024 348</b>	<b>2 979 386</b>
<b>Total Liabilities</b>		<b>58 608 504</b>	<b>34 986 342</b>
<b>Net Assets</b>		<b>191 281 543</b>	<b>163 167 000</b>
Accumulated surplus		191 281 542	163 167 000

## uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	14	343 326	312 222
Rental of facilities and equipment		194 305	141 714
Licences and permits		364 080	294 490
Miscellaneous income		789 766	357 505
Sale of tender documents		156 650	168 850
Interest received	15	1 687 239	1 862 232
<b>Total revenue from exchange transactions</b>		<b>3 535 366</b>	<b>3 137 013</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	16	7 501 917	6 857 475
<b>Transfer revenue</b>			
Government grants & subsidies	17	144 413 841	141 600 993
Fines		2 054 094	4 153 664
Transfer revenue		14 537 842	-
<b>Total revenue from non-exchange transactions</b>		<b>168 507 694</b>	<b>152 612 132</b>
<b>Total revenue</b>		<b>172 043 060</b>	<b>155 749 145</b>
<b>Expenditure</b>			
Employee related costs	18	(37 772 097)	(27 306 911)
Remuneration of councillors	19	(8 861 422)	(8 438 896)
Depreciation and amortisation	20	(7 335 048)	(6 323 762)
Impairment loss/ Reversal of impairments	21	-	(9 469)
Finance costs	22	(612 174)	(332 461)
Provision for Bad Debts movements	23	(7 819 292)	(3 761 888)
Repairs and maintenance	25	(3 821 156)	(4 436 035)
Contracted services	26	(3 984 716)	(3 442 572)
Grants expenditures	27	(10 823 135)	(11 565 399)
General Expenses	28	(62 899 480)	(54 648 224)
<b>Total expenditure</b>		<b>(143 928 520)</b>	<b>(120 265 617)</b>
<b>Operating surplus</b>		<b>28 114 540</b>	<b>35 483 528</b>
<b>Surplus for the year</b>		<b>28 114 540</b>	<b>35 483 528</b>

## uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 01 July 2015</b>	<b>127 683 472</b>	<b>127 683 472</b>
Changes in net assets		
Surplus for the year	35 483 528	35 483 528
Total changes	35 483 528	35 483 528
<b>Balance at 01 July 2016</b>	<b>163 167 002</b>	<b>163 167 002</b>
Changes in net assets		
Surplus for the year	28 114 540	28 114 540
Total changes	28 114 540	28 114 540
<b>Balance at 30 June 2017</b>	<b>191 281 542</b>	<b>191 281 542</b>
Note(s)		

## uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### Statement of Cash Flows

Figures in Rand	Note(s)	2017	2016
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		3 473 366	1 389 339
Grants		144 894 000	141 939 000
Interest income		1 687 239	1 862 232
Other receipts		274 928	483 903
		<u>150 329 533</u>	<u>145 674 474</u>
<b>Payments</b>			
Employee costs		(46 633 519)	(35 749 677)
Suppliers		(53 348 716)	(62 473 045)
Finance costs		-	(20 302)
		<u>(99 982 235)</u>	<u>(98 243 024)</u>
<b>Net cash flows from operating activities</b>	29	<b><u>50 347 298</u></b>	<b><u>47 431 450</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(53 152 753)	(48 470 546)
Increase in Finance Leases	7	-	(821 744)
Purchase of other intangible assets	8	(1 096 491)	-
<b>Net cash flows from investing activities</b>		<b><u>(54 249 244)</u></b>	<b><u>(49 292 290)</u></b>
<b>Cash flows from financing activities</b>			
Proceeds from other financial liabilities		7 000 000	-
Finance lease payments		(1 697 757)	(1 117 004)
<b>Net cash flows from financing activities</b>		<b><u>5 302 243</u></b>	<b><u>(1 117 004)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>1 400 297</u></b>	<b><u>(2 977 844)</u></b>
Cash and cash equivalents at the beginning of the year		210 604	3 188 448
<b>Cash and cash equivalents at the end of the year</b>	6	<b><u>1 610 901</u></b>	<b><u>210 604</u></b>



# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	--------------------	-------------	--------------	--	---	-----------

Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	320 000	-	320 000	343 326	23 326
Rental of facilities and equipment	220 000	-	220 000	194 305	(25 695)
Licences and permits	370 000	-	370 000	364 080	(5 920)
Other income - (rollup)	10 366 428	-	10 366 428	789 766	(9 576 662)
Tender Monies	130 000	-	130 000	156 650	26 650
Interest received - investment	500 000	(100 000)	400 000	1 687 239	1 287 239
<b>Total revenue from exchange transactions</b>	<b>11 906 428</b>	<b>(100 000)</b>	<b>11 806 428</b>	<b>3 535 366</b>	<b>(8 271 062)</b>

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	5 663 071	-	5 663 071	7 501 917	1 838 846
----------------	-----------	---	-----------	-----------	-----------

##### Transfer revenue

Government grants & subsidies	146 169 000	-	146 169 000	144 413 841	(1 755 159)
Fines, Penalties and Forfeits	915 301	-	915 301	2 054 094	1 138 793
Transfer revenue	-	-	-	14 537 842	14 537 842

<b>Total revenue from non-exchange transactions</b>	<b>152 747 372</b>	<b>-</b>	<b>152 747 372</b>	<b>168 507 694</b>	<b>15 760 322</b>
---	--------------------	----------	--------------------	--------------------	-------------------

<b>Total revenue</b>	<b>164 653 800</b>	<b>(100 000)</b>	<b>164 553 800</b>	<b>172 043 060</b>	<b>7 489 260</b>
----------------------	--------------------	------------------	--------------------	--------------------	------------------

#### Expenditure

Personnel	(38 188 473)	926 622	(37 261 851)	(37 772 097)	(510 246)
Remuneration of councillors	(8 890 329)	(97 563)	(8 987 892)	(8 861 422)	126 470
Depreciation and amortisation	-	-	-	(7 335 048)	(7 335 048)
Finance costs	-	-	-	(612 174)	(612 174)
Bad debts written off	(250 000)	-	(250 000)	(7 819 292)	(7 569 292)
Repairs and maintenance	(9 000 000)	550 000	(8 450 000)	(3 821 156)	4 628 844
Contracted Services	(3 850 000)	550 000	(3 300 000)	(3 984 716)	(684 716)
Transfers and Subsidies	-	-	-	(10 823 135)	(10 823 135)
General Expenses	(52 772 198)	(6 329 059)	(59 101 257)	(62 899 480)	(3 798 223)

<b>Total expenditure</b>	<b>(112 951 000)</b>	<b>(4 400 000)</b>	<b>(117 351 000)</b>	<b>(143 928 520)</b>	<b>(26 577 520)</b>
--------------------------	----------------------	--------------------	----------------------	----------------------	---------------------

<b>Surplus before taxation</b>	<b>51 702 800</b>	<b>(4 500 000)</b>	<b>47 202 800</b>	<b>28 114 540</b>	<b>(19 088 260)</b>
--------------------------------	-------------------	--------------------	-------------------	-------------------	---------------------

<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>51 702 800</b>	<b>(4 500 000)</b>	<b>47 202 800</b>	<b>28 114 540</b>	<b>(19 088 260)</b>
--	-------------------	--------------------	-------------------	-------------------	---------------------

#### Reconciliation

# **uMfolozi Municipality**

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

## **Accounting Policies**

---

### **1. Presentation of Annual Financial Statements**

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These Annual Financial Statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7,11 and 12 of GRAP 3. These accounting policies and the applicable disclosure been based on South African Statements of General Accepted Accounting Practices (SA GAAP) including any interpretation of such Statements issued by the Accounting Practise Board.

#### **1.1 Presentation currency**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### **1.2 Grap Standards Summary**

##### **Applicable Standards**

GRAP 1	-Presentation of Financial Statement
GRAP 2	-Cash Flow Statement
GRAP 3	-Accounting Policies , Changes in Accounting Estimates and Errors
GRAP 5	-Borrowing Costs
GRAP 9	-Revenue from Exchange Transactions
GRAP 13	-Leases
GRAP 14	-Events After the Reporting Date
GRAP 16	-Investment Properties
GRAP 17	-Property, Plant and Equipment
GRAP 19	-Provisions, Contingent Liabilities and Contingent Assets
GRAP 23	-Revenue from Non-exchange Transactions
GRAP 24	-Presentation of Budget Information in Financial Statements
GRAP 25	-Employee Benefits
GRAP 31	-Intangible Assets
GRAP 100	-Non-current Assets Held for Sale and Discontinued Operations
GRAP 104	-Financial Instruments
IGRAP 1	-Traffic fines

#### **1.3 Going concern assumption**

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### **1.4 Significant judgements and sources of estimation uncertainty**

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

## **uMfolozi Municipality**

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### **Accounting Policies**

---

#### **1.4 Significant judgements and sources of estimation uncertainty (continued)**

##### **Trade receivables / Held to maturity investments and/or loans and receivables**

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### **Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

##### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

##### **Useful lives of waste and water network and other assets**

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

##### **Post retirement benefits**

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 9.

# **uMfolozi Municipality**

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

## **Accounting Policies**

---

### **1.4 Significant judgements and sources of estimation uncertainty (continued)**

#### **Allowance for doubtful debts**

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance. Additional text allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Provision for doubtful debts is calculated by categorising the outstanding into three:

Category A are government properties and those who owe less the 30 days. No provision is made for them.

Category B are those who irregular payers, and the debts is more then 60 days. The provision is made at 25%

Category C are bad payers and the provision is at 50%

### **1.5 Property, plant and equipment**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### **Subsequent Measurement - Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

#### **Depreciation**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives. The useful lives of items of property, plant and equipment have been assessed as follows:

## uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### Accounting Policies

---

#### 1.5 Property, plant and equipment (continued)

Item	Average useful life
Infrastructure	
• Roads and paving	30
• Stormwater drainage	20
Community	
• Buildings	30
• Recreational Facilities	20-30
• Community Halls	30
• Parks and Gardens	30
• Libraries	30
Equipment and Furniture	
• Office equipment	4
• Furniture and fittings	7-10
• Bins and containers	5
• Specialised plant and equipment	10-15
Other property, plant and equipment	
• Buildings	30
• Specialised Vehicles	10
• Other Vehicles	5
Other	
• Emergency Equipment	15
• Computer Equipment	7
• Landfill Sites	15

The residual value, and the useful life and depreciation method of each asset are reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

# **uMfolozi Municipality**

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

## **Accounting Policies**

---

### **1.6 Intangible assets**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's given up

#### **Subsequent Measurement - Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### **Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### **Derecognition**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Performance.

The annual amortisation rates are based on the following estimated average asset lives.

<b>Item</b>	<b>Useful life</b>
Computer software, other	5 years

# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

## Accounting Policies

---

### 1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

## **uMfolozi Municipality**

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### **Accounting Policies**

---

#### **1.7 Financial instruments (continued)**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### **Initial recognition**

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.



## **uMfolozi Municipality**

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### **Accounting Policies**

---

#### **1.7 Financial instruments (continued)**

##### **Initial measurement of financial assets and financial liabilities**

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

#### **1.8 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

##### **Finance leases - lessor**

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

##### **Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

##### **Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

## **uMfolozi Municipality**

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### **Accounting Policies**

---

#### **1.8 Leases (continued)**

##### **Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

#### **1.9 Employee benefits**

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

## **uMfolozi Municipality**

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### **Accounting Policies**

---

#### **1.9 Employee benefits (continued)**

##### **Short-term employee benefits**

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### **1.10 Provisions and contingencies**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

## **uMfolozi Municipality**

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### **Accounting Policies**

---

#### **1.10 Provisions and contingencies (continued)**

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- >the amount that would be recognised as a provision; and
- >the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

#### **1.11 Revenue from exchange transactions**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

#### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

## **uMfolozi Municipality**

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### **Accounting Policies**

---

#### **1.11 Revenue from exchange transactions (continued)**

##### **Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

##### **Interest, licence and permits**

Revenue arising from the use by others of entity assets yielding interest or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Licence and permits are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

#### **1.12 Revenue from non-exchange transactions**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised. Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible Councilors or officials is virtually certain.

## **uMfolozi Municipality**

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### **Accounting Policies**

---

#### **1.12 Revenue from non-exchange transactions (continued)**

##### **Property rates**

Fair value should also reflect the market conditions that exist at a reporting date, which means that periodic valuations should be undertaken. The Municipal Property Rates Act outlines the basis on which municipal valuation roll should be prepared, including the basis on which properties should be valued and the frequency of the valuations. Each municipality develops its own policies in implementing the provisions of the Municipal Property Rates Act..

##### **Fines**

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has one type of fines: namely traffic fines.

There is certainty regarding the probability of the flow of economic benefits or service potential in respect of fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

##### **Grants, Transfers and Donations**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

#### **1.13 Investment income**

Investment income is recognised on a time-proportion basis using the effective interest method.

#### **1.14 Retirement Benefit**

##### **Post Retirement**

The municipality provides retirement benefits for its Employees and Councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined benefit funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the contributions which are recognised as an expense in the statement of Financial Performance in the year that they become payable.

#### **1.15 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

# **uMfolozi Municipality**

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

## **Accounting Policies**

---

### **1.16 Unauthorised expenditure**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.17 Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.18 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.19 Conditional grants and receipts**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### **1.20 Budget information**

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar. The budget covers the period from 1 July 2016 to 30 June 2017.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

### **1.21 Related parties**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

## **uMfolozi Municipality**

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### **Accounting Policies**

---

#### **1.22 Cash and cash equivalents**

Cash and cash equivalents are measured at amortised cost. Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

#### **1.23 Commitments**

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

#### **1.24 Events after reporting date**

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.



## uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

#### 2. GRAP Standards Summary

New Standards, Amendments and Interpretations to GRAP Standards Approved But Not yet Effective:

GRAP 32	Service Concession Arrangement : Grantor	Unknown
GRAP 108	Statutory Receivables	Effective date not approved
IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset.	Effective date not approved
GRAP 20	Related party disclosures	Effective date not approved
GRAP 109	Accounting by principals and agents	Effective date not approved

#### 3. Receivables from Non-Exchange Transactions

Trade debtors	6 851 019	12 198 805
Provision for Doubtful Debts	(1 512 669)	(1 396 213)
	<b>5 338 350</b>	<b>10 802 592</b>

#### Reconciliation of provision for doubtful debts of trade and other receivables

Opening balance	1 971 691	1 891 403
Provision for impairment	116 456	80 288
Sundry debtors	(575 478)	-
	<b>1 512 669</b>	<b>1 971 691</b>

#### 4. Receivables from non-exchange transactions

Traffic Fines	4 723 571	3 740 750
Allowance for impairment	(5 239 899)	(4 257 078)
Other taxes	(435 468)	-
Under and Over Banking	(2 000)	-
Sundry Debtors	578 266	596 907
	<b>(375 530)</b>	<b>80 579</b>

#### 5. VAT receivable

VAT	5 891 508	3 099 196
-----	-----------	-----------

VAT output is payable on the receipts basis and VAT input is paid over to SARS only once the payment is made to the supplier.

#### 6. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1 574 833	202 483
Other cash and cash equivalents	36 068	8 121
	<b>1 610 901</b>	<b>210 604</b>

## uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

#### 6. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
ABSA BANK -Account Type- Cheque-40-5385-7155	1 567 153	200 983	3 160 220	1 574 833	202 483	3 159 025
ABSA BANK -Account Type- Traffic 40-7854-4599	17 172	167	12 394	17 172	167	12 384
ABSA BANK - Account Type - INEG-92-8652-5057	2 039	1 920	1 815	2 039	1 920	1 815
ABSA BANK - Account Type - MIG-92-8651-3913	1 603	1 509	1 427	1 603	1 509	1 427
ABSA BANK - Account Type - EPWP-92-8651-3769	1 144	1 077	1 964	1 144	1 077	1 964
ABSA BANK - Account Type - FMG-92-8652-5340	1 211	1 211	1 146	1 211	1 211	1 146
ABSA BANK - Account Type - MSIG-92-8651-3028	1 452	1 367	1 292	1 452	1 367	1 292
ABSA BANK - Account Type - Traffic 40-6506-2322	11 449	870	9 385	11 449	870	9 385
<b>Total</b>	<b>1 603 223</b>	<b>209 104</b>	<b>3 189 643</b>	<b>1 610 903</b>	<b>210 604</b>	<b>3 188 438</b>

#### 7. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	10 404 853	-	10 404 853	10 404 853	-	10 404 853
Buildings	7 902 206	(4 784 986)	3 117 220	7 902 206	(4 051 202)	3 851 004
Leased motor vehicles	10 710 958	(5 238 652)	5 472 306	6 794 802	(2 548 197)	4 246 605
Leased Office equipment	1 174 323	(1 164 814)	9 509	1 174 323	(992 425)	181 898
Infrastructure	81 462 508	(16 949 352)	64 513 156	50 893 237	(13 099 241)	37 793 996
Community	99 560 320	(23 379 440)	76 180 880	71 288 073	(18 038 608)	53 249 465
Other property, plant and equipment	10 093 302	(3 459 661)	6 633 641	9 288 957	(7 486 423)	1 802 534
Work in progress	69 985 185	-	69 985 185	72 418 439	-	72 418 439
<b>Total</b>	<b>291 293 655</b>	<b>(54 976 905)</b>	<b>236 316 750</b>	<b>230 164 890</b>	<b>(46 216 096)</b>	<b>183 948 794</b>

# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

### 7. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Additions through transfer of functions / mergers	Transfers	Depreciation	Total
Land	10 404 853	-	-	-	-	10 404 853
Buildings	3 851 006	95 163	-	-	(294 976)	3 651 193
Leased motor vehicles	4 246 606	3 836 000	-	-	(1 358 961)	6 723 645
Leased Office equipment	181 898	-	-	-	(172 389)	9 509
Infrastructure	37 793 996	-	-	30 569 271	(2 209 350)	66 153 917
Community	53 249 467	-	8 670 377	18 080 946	(2 964 564)	77 036 226
Other property, plant and equipment	1 802 532	804 348	1 699 229	2 636 072	(3 459 661)	3 482 520
Work in progress	72 418 439	36 585 107	5 378 685	(50 075 978)	-	64 306 253
	<b>183 948 797</b>	<b>41 320 618</b>	<b>15 748 291</b>	<b>1 210 311</b>	<b>(10 459 901)</b>	<b>231 768 116</b>

#### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	10 404 853	-	-	-	-	10 404 853
Buildings	3 573 685	516 232	-	(238 911)	-	3 851 006
Leased motor vehicles	4 756 356	821 744	-	(1 331 494)	-	4 246 606
Office equipment	440 213	-	-	(258 315)	-	181 898
Infrastructure	18 446 809	-	21 013 096	(1 665 909)	-	37 793 996
Community	46 351 258	-	9 235 680	(2 337 471)	-	53 249 467
Other property, plant and equipment	1 515 544	755 523	-	(459 066)	(9 469)	1 802 532
Work in progress	55 468 424	47 198 791	(30 248 776)	-	-	72 418 439
	<b>140 957 142</b>	<b>49 292 290</b>	<b>-</b>	<b>(6 291 166)</b>	<b>(9 469)</b>	<b>183 948 797</b>

#### Pledged as security

None of the Municipal assets are pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 8. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 259 469	(151 401)	1 108 068	162 978	(151 401)	11 577

## uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

#### 8. Intangible assets (continued)

##### Reconciliation of intangible assets - 2017

	Opening balance	Additions	Total
Computer software, other	11 577	1 096 491	1 108 068

##### Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software, other	44 172	(32 595)	11 577

#### Pledged as security

None of the Municipal assets are pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

#### 9. Summary of Receivables

##### Rates

Current (0 -30 days)	420 819	521 419
31 - 60 days	253 308	339 503
61 - 90 days	224 841	218 314
91 - 120 days	222 221	308 529
121 - 365 days	4 932 266	10 811 040
> 365 days	568 618	-
	<b>6 622 073</b>	<b>12 198 805</b>

# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>9. Summary of Receivables (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Residential</b>		
Current (0 -30 days)	109 604	92 767
31 - 60 days	87 892	70 873
61 - 90 days	72 256	41 909
91 - 120 days	63 977	56 529
121 - 365 days	2 017 839	1 839 497
> 365 days	140 615	-
	<b>2 492 183</b>	<b>2 101 575</b>
Less: Allowance for impairment	(843 465)	(716 575)
	<b>1 648 718</b>	<b>1 385 000</b>
<b>Commercial &amp; Industrial</b>		
Current (0 -30 days)	202 470	225 763
31 - 60 days	62 136	68 132
61 - 90 days	53 731	44 692
91 - 120 days	43 516	53 947
121 - 365 days	1 466 801	1 798 660
> 365 days	267 672	-
	<b>2 096 326</b>	<b>2 191 194</b>
Less: Allowance for impairment	(669 202)	(679 638)
	<b>1 427 124</b>	<b>1 511 556</b>
<b>National and provincial government</b>		
Current (0 -30 days)	90 724	202 889
31 - 60 days	88 830	200 499
61 - 90 days	87 266	131 711
91 - 120 days	105 858	198 054
121 - 365 days	1 097 782	7 172 882
> 365 days	96 269	-
	<b>1 566 729</b>	<b>7 906 035</b>
<b>Farmers</b>		
Current (0 - 30 days)	17 452	17 642
31 - 60 days	14 039	11 786
61 - 90 days	11 191	7 001
91 - 120 days	8 477	7 235
121 - 365 days	331 714	290 184
> 365 days	63 277	-
	<b>446 150</b>	<b>333 848</b>
<b>Transnet and Mondi</b>		
Current (0 - 30 Days)	568	9 656
31 - 60 days	411	343
61 - 90 days	398	205
91 - 120 days	394	339
121 - 365 days	18 130	13 757
> 365 days	784	-
	<b>20 685</b>	<b>24 300</b>
<b>Total</b>		

## uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>9. Summary of Receivables (continued)</b>		
Current (0 -30 days)	420 819	521 419
31 - 60 days	253 308	339 503
61 - 90 days	224 841	218 314
91 - 120 days	222 221	308 529
121 - 365 days	4 932 266	10 811 040
> 365 days	568 618	-
	6 622 073	12 198 805
Less: Allowance for impairment	(1 512 668)	(1 396 213)
	<b>5 109 405</b>	<b>10 802 592</b>
<b>10. Other Financial Liability</b>		
The following loan bears interest at 10.93% per annum, with bi-annual instalments of R611 853.57 in July and January. The loan is repayable by 1 January 2018 and the capital portion amounts to R 336 212.37.		
<b>Loan for Capital Assets</b>		
- non-current liabilities	6 663 788	-
- current liabilities	336 212	-
	<b>7 000 000</b>	-
<b>11. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	2 353 167	1 612 532
- in second to fifth year inclusive	6 097 961	3 390 880
	8 451 128	5 003 412
less: future finance charges	(1 442 345)	(745 047)
<b>Present value of minimum lease payments</b>	<b>7 008 783</b>	<b>4 258 365</b>
<b>Present value of minimum lease payments due</b>		
- within one year	1 728 379	1 278 980
- in second to fifth year inclusive	5 280 404	2 979 385
	<b>7 008 783</b>	<b>4 258 365</b>
Non-current liabilities	5 280 404	2 979 385
Current liabilities	1 728 379	1 278 980
	<b>7 008 783</b>	<b>4 258 365</b>

It is municipality policy to lease certain equipment and motor vehicles and equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 10% (2016: 10%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

## uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>12. Payables from exchange transactions</b>		
Trade payables	24 786 695	14 388 484
Accrued leave pay	1 987 750	1 186 968
Other creditors	4 154 707	1 462 560
Retentions	7 545 964	8 125 673
	<b>38 475 116</b>	<b>25 163 685</b>

#### Other creditors balance is made out of :

Payroll Creditors	2 053 338	1 075 018
Sundry Creditors	2 207 010	239 253
Payment Received in Advance	(105 641)	148 289
	<b>4 154 707</b>	<b>1 462 560</b>

The fair value of trade and other payables approximates their carrying amounts.

### 13. Unspent conditional grants and receipts

#### Unspent conditional grants and receipts comprises of:

<b>Unspent conditional grants and receipts</b>		
Spatial Development Framework Funding	379 627	600 000
Housing Grant	1 431 956	1 431 956
Library Grant	851 936	-
Beach Access Grant	243 647	301 611
Development Planning and Shared Services	172 498	172 498
Small Town Rehabilitation	1 633 228	3 001 226
Sports	1 274 557	-
Schemes Support Programme	57 000	57 000
	<b>6 044 449</b>	<b>5 564 291</b>

#### Movement during the year

Balance at the beginning of the year	5 564 291	4 765 287
Additions during the year	144 893 999	142 399 997
Income recognition during the year	(144 413 841)	(141 600 993)
	<b>6 044 449</b>	<b>5 564 291</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

### 14. Service charges

Refuse removal	343 326	312 222
----------------	---------	---------

## uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>15. Interest Received</b>		
<b>Interest revenue</b>		
Bank	284 052	-
Interest earned - outstanding receivables	1 403 187	703 610
Interest earned on investments	-	1 158 622
	<b>1 687 239</b>	<b>1 862 232</b>
<b>16. Property rates</b>		
<b>Rates received</b>		
Property rates	11 893 440	10 970 780
Less: Income forgone	(4 391 523)	(4 113 305)
	<b>7 501 917</b>	<b>6 857 475</b>
<b>Valuations</b>		
Residential	193 868 000	193 868 000
Commercial	95 165 000	95 165 000
State	141 833 000	141 833 000
Municipal (Ngonyama Trust)	42 250 000	42 250 000
Agriculture	588 256 000	588 256 000
Public Benefit Organisations	122 209 000	122 209 000
Public Service Infrastructure	7 213 000	7 213 000
	<b>1 190 794 000</b>	<b>1 190 794 000</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2012. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of 0.03611 is applied to property valuations to determine assessment rates. Rebates of 50% are granted to residential and state property owners.



## uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>17. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	98 724 000	93 949 000
Housing Grant	-	335 000
Sports and Recreation Grant	2 725 443	-
Municipal Systems Intergrated Grant	-	930 000
Spatial Development Framework	220 373	-
Intergrated Development Plan Grant	-	112 018
Beach Access Upgrade Grant	57 963	194 033
Small Town Rehabilitation Grant	4 367 998	28 774
Library Grant	1 070 064	860 186
Financial Management Grant	1 825 000	1 800 000
Expanded Public Works Program Grant	1 649 000	1 000 000
Intergrated National Electrification Grant	9 725 000	9 000 000
Operational Support For Thusong	-	1 460 997
Schemes Support Programme	-	558 600
	<b>120 364 841</b>	<b>110 228 608</b>
<b>Capital grants</b>		
Municipal Infrastructure Grants	24 049 000	31 372 385
	<b>144 413 841</b>	<b>141 600 993</b>
<b>Equitable Share</b>		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
All registered indigents receive a monthly subsidy of R 325 763- : which is funded from the grant.		
<b>Municipal Infrastructure Grant</b>		
Balance unspent at beginning of 6 months	-	835 385
Current-year receipts	24 049 000	30 537 000
Conditions met - transferred to revenue	(24 049 000)	(31 372 385)
	-	-
This grant was used to accelerate basic infrastructure backlogs for the benefit of poor households. The amount transferred to operating relates to projects budgeted for as capital and for financial reporting purposes the asset recognition criteria is met. The revenue recognised met the conditions of the grant.		
<b>Financial Management Grant</b>		
Current-year receipts	1 825 000	1 800 000
Conditions met - transferred to revenue	(1 825 000)	(1 800 000)
	-	-
The grant was used to promote and support reforms in financial management through financial management internship and reforms programmes. The revenue recognised met the conditions of the grant		
<b>Spatial Development Framework (SDF Funding)</b>		
Balance unspent at beginning of year	600 000	600 000
Conditions met - transferred to revenue	(220 373)	-
	<b>379 627</b>	<b>600 000</b>

## uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>17. Government grants and subsidies (continued)</b>		
<b>Housing Grant</b>		
Balance unspent at beginning of year	1 431 956	1 766 956
Conditions met - transferred to revenue	-	(335 000)
	<b>1 431 956</b>	<b>1 431 956</b>

This grant is unconditional and was used for human settlement operational expenses within the municipality (see note 10).

#### Library Grant

Balance unspent at beginning of year	-	137 186
Current-year receipts	1 922 000	723 000
Conditions met - transferred to revenue	(1 070 064)	(860 186)
	<b>851 936</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 13).

#### Beach Access Upgrade

Balance unspent at beginning of year	301 611	495 644
Conditions met - transferred to revenue	(57 963)	(194 033)
	<b>243 648</b>	<b>301 611</b>

Conditions still to be met - remain liabilities (see note 13).

#### Integrated Development Planning Grant

Balance unspent at beginning of year	-	112 018
Conditions met - transferred to revenue	-	(112 018)
	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 13).

#### Development Planning and Shared Services

Balance unspent at beginning of year	172 498	172 498
--------------------------------------	---------	---------

Conditions still to be met - remain liabilities (see note 13).

#### Small Town Rehabilitation Grant

Balance unspent at beginning of year	3 001 226	30 000
Current-year receipts	3 000 000	3 000 000
Conditions met - transferred to revenue	(4 367 998)	(28 774)
	<b>1 633 228</b>	<b>3 001 226</b>

Conditions still to be met - remain liabilities (see note 13).

#### Integrated National Electrification Grant

Current-year receipts	9 725 000	9 000 000
Conditions met - transferred to revenue	(9 725 000)	(9 000 000)

## uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

#### 17. Government grants and subsidies (continued)

-	-
---	---

Conditions still to be met - remain liabilities (see note 13).

The grant was used to address the electrification backlogs of occupied residential dwellings and the installation of bulk infrastructure, rehabilitation and refurbishment of electricity infrastructure in order to improve the quality of supply. The revenue recognised met the conditions of the grant.

#### Municipal Systems Improvement Grant

Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(930 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

The grant was used for the implementation of revenue enhancement strategy, strengthening administrative systems for effective implementation of ward participation system, financial systems support and improving municipal audit outcome. The revenue recognised met the conditions of the grant.

#### Expanded Public Works Program Grant

Current-year receipts	1 649 000	1 000 000
Conditions met - transferred to revenue	(1 649 000)	(1 000 000)
	-	-

The grant was used to expand employment creation efforts as a national priority through the use of labour intensive delivery methods within the municipality. The conditions of the grant were met. (see note 10).

#### Operational Support Grant-Thusong Center

Current-year receipts	-	1 460 997
Conditions met - transferred to revenue	-	(1 460 997)
	-	-

Conditions still to be met - remain liabilities (see note 13).

#### Schemes Support Programs Grants

Balance unspent at beginning of year	57 000	615 600
Conditions met - transferred to revenue	-	(558 600)
	57 000	57 000

Conditions still to be met - remain liabilities (see note 13).

#### Sports and Recreation Grant

Current-year receipts	4 000 000	-
Conditions met - transferred to revenue	(2 725 442)	-
	1 274 558	-

Conditions still to be met - remain liabilities (see note 13).

Provide explanations of conditions still to be met and other relevant information.

## uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>18. Employee related costs</b>		
Basic	23 875 011	18 499 276
Bonus	1 255 749	951 110
Medical aid - company contributions	1 960 541	1 349 054
WCA	224 808	-
SDL	307 589	306 967
Pension fund	2 894 470	2 129 305
Leave pay provision charge	800 782	(4 541)
Overtime payments	1 212 434	1 277 971
Night allowances	207 175	172 390
Travel allowance	3 565 431	1 693 077
Housing benefits and allowances	146 776	133 350
Cellphone Allowances	277 920	-
Funeral Scheme	77 712	74 064
Group Life Insurance	756 608	558 874
Unemployment Insurance	196 327	155 813
Bargaining Council	12 764	10 201
	<b>37 772 097</b>	<b>27 306 911</b>
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	895 896	848 209
Car Allowance	408 473	385 351
Contributions to UIF, Medical and Pension Funds	58 991	50 945
	<b>1 363 360</b>	<b>1 284 505</b>
<b>Remuneration of Chief Finance Officer</b>		
Annual Remuneration	724 561	664 315
Car Allowance	300 000	307 930
Contributions to UIF, Medical and Pension Funds	22 236	21 546
Acting Allowance	-	23 077
	<b>1 046 797</b>	<b>1 016 868</b>
<b>Remuneration of Corporate Services Director</b>		
Annual Remuneration	423 677	48 389
Car Allowance	72 000	21 892
Contributions to UIF, Medical and Pension Funds	24 118	2 692
Lump sum	52 481	-
	<b>572 276</b>	<b>72 973</b>
<b>Remuneration of Technical Services Director</b>		
Annual Remuneration	549 533	129 452
Car Allowance	194 477	45 867
Contributions to UIF, Medical and Pension Funds	35 682	8 149
	<b>779 692</b>	<b>183 468</b>
<b>Remuneration of Community Services Director</b>		
Annual Remuneration	650 314	619 614
Car Allowance	295 174	278 466
Contributions to UIF, Medical and Pension Funds	40 209	30 139

## uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>18. Employee related costs (continued)</b>	<b>985 697</b>	<b>928 219</b>
<b>PAYE, UIF &amp; SDL</b>		
Opening Balance	485 909	416 932
Council Subscription	5 453 118	5 589 960
Amount Paid - current	(5 162 600)	(5 520 983)
	<b>776 427</b>	<b>485 909</b>
<b>Pension and Medical Aid</b>		
Opening Balance	547 283	-
Council Subscription	3 149 069	3 478 359
Amount Paid - current	(3 149 069)	(2 931 076)
	<b>547 283</b>	<b>547 283</b>
<b>19. Remuneration of councillors</b>		
Cellphone Allowances	749 293	633 540
Executive Major	412 094	-
Deputy Executive Mayor	224 888	-
Mayoral Committee Members	358 555	-
Speaker	337 368	-
Councillors' Allowances	5 436 174	5 340 817
Former Deputy Mayor	38 593	-
Councillors' SDL	81 426	-
Travel Allowances	1 104 754	2 356 539
Data Allowance	118 277	108 000
	<b>8 861 422</b>	<b>8 438 896</b>
<b>20. Depreciation and amortisation</b>		
Property, plant and equipment	7 335 048	6 291 167
Intangible assets	-	32 595
	<b>7 335 048</b>	<b>6 323 762</b>
<b>21. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	-	9 469
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
<b>22. Finance costs</b>		
Finance leases	612 174	312 159
Other interest paid on bank accounts	-	20 302
	<b>612 174</b>	<b>332 461</b>

## uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>23. Debt impairment</b>		
Contribution to debt impairment - fines	2 111 249	3 761 888
Contribution to debt impairment provision - trade debtors	5 708 043	-
	<b>7 819 292</b>	<b>3 761 888</b>
<b>24. Auditors' remuneration</b>		
Current year Audit Fees	1 624 253	1 549 041
<b>25. Repairs and maintenance</b>		
Buildings	1 698 060	3 397 615
Motor Vehicles	1 073 464	1 038 420
Furniture & Equipment	432 945	-
Water and Sanitation	150 000	-
Stormwater	466 687	-
	<b>3 821 156</b>	<b>4 436 035</b>
<b>26. Contracted services</b>		
Sanitation	338 000	1 180 422
Valuation	337 278	329 365
Cleaning Services	641 431	651 113
Security	2 668 007	1 281 672
	<b>3 984 716</b>	<b>3 442 572</b>
<b>27. Grants and subsidies paid</b>		
<b>Grants paid</b>		
Integrated National Electrification Grant	9 146 093	9 501 697
Governance	-	335 000
Extended Public Works Program	1 677 042	1 728 701
	<b>10 823 135</b>	<b>11 565 398</b>

## uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>28. General expenses</b>		
Audit Committee	140 635	116 658
Advertising	132 121	50 699
Auditors remuneration	1 624 253	1 549 041
Bank charges	114 368	167 932
Cleaning	104 591	49 446
Conferences and seminars	2 238 913	1 135 711
Computer expenses	149 355	173 661
Consulting and professional fees	10 072 466	11 449 843
Consumables	27 274	43 166
Publicity	5 069 738	4 550 894
Donations	230 689	165 035
Entertainment	1 436 237	1 759 940
Mayoral projects	1 600 465	3 250 201
Stationery	33 267	34 514
Insurance	351 541	303 139
Community development and training	1 618 746	1 158 979
Conferences and seminars	56 211	22 655
Street Lighting	7 734	69 173
Legal fees	243 996	50 342
Lease rentals	1 785 193	529 914
Traffic manager services	129 089	476 302
Medical expenses	13 811	21 565
Motor vehicle expenses	352 415	95 192
Fuel and oil	2 412 152	1 682 127
Tools	119 032	171 054
Postage and courier	22 429	12 244
Printing and stationery	798 268	532 158
Protective clothing	176 386	137 644
MSCOA Software costs	4 581 888	-
Royalties and license fees	306 358	318 652
Refreshments	577 342	619 379
Staff welfare	253 942	327 679
Subscriptions and membership fees	508 355	23 784
Telephone and fax	984 741	1 295 766
Training	609 001	267 114
Travel - local	9 011 486	5 525 476
Youth Skills Development	1 077 899	2 680 633
Electricity	1 961 541	2 539 674
Uniforms	31 011	66 978
Community services	5 829 756	4 859 464
Internal Audit Fees	1 803 524	1 924 426
Noise Pollutions and Disaster Funds	1 310 731	1 077 133
HIV Awareness	462 771	172 276
LED expenses	379 017	265 688
Grants and donations	2 080 361	2 590 177
Convention bureau	-	6 000
Sundries	68 381	328 696
	<b>62 899 480</b>	<b>54 648 224</b>

## uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>29. Cash generated from operations</b>		
Surplus	28 114 540	35 483 528
<b>Adjustments for:</b>		
Depreciation and amortisation	7 335 048	6 323 762
Finance costs - Finance leases	612 174	312 159
Impairment deficit	-	9 469
Debt impairment	7 819 292	-
Movements in provisions	-	(4 541)
Other non-cash items	(2 634 092)	62 706
<b>Changes in working capital:</b>		
Receivables from Non-Exchange Transactions	4 888 764	(2 676 668)
Consumer debtors	(7 819 292)	-
Other receivables from non-exchange transactions	1 031 587	9 952
Payables from exchange transactions	13 311 431	6 234 092
VAT	(2 792 312)	877 987
Unspent conditional grants and receipts	480 158	799 004
	<b>50 347 298</b>	<b>47 431 450</b>
<b>30. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Community	12 079 039	6 845 148
• Infrastructure	6 455 883	2 892 798
	<b>18 534 922</b>	<b>9 737 946</b>
<b>Not yet contracted for and authorised by accounting officer</b>		
• Property, plant and equipment	-	24 049 000
<b>Total capital commitments</b>		
Already contracted for but not provided for	18 534 922	9 737 946
Not yet contracted for and authorised by accounting officer	-	24 049 000
	<b>18 534 922</b>	<b>33 786 946</b>

The funding if commitments will mainly be obtained from Grants.

### 31. Risk management

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.



## uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>32. Unauthorised expenditure</b>		
Opening Balance	62 386 684	43 864 067
Current Year	-	18 522 617
<b>Unauthorised expenditure awaiting condonement</b>	<b>62 386 684</b>	<b>62 386 684</b>
<b>33. Fruitless and wasteful expenditure</b>		
Opening Balance	1 052 074	1 052 074
<b>34. Irregular expenditure</b>		
Opening balance	70 512 131	67 861 549
Add: Irregular Expenditure - current year	2 790 463	2 650 582
<b>Irregular expenditure awaiting condonement</b>	<b>73 302 594</b>	<b>70 512 131</b>
<b>35. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Audit fees</b>		
Current year subscription / fee	1 621 679	1 549 041
Amount paid - current year	(1 621 679)	(1 549 041)
	-	-
<b>VAT</b>		
VAT receivable	5 891 508	3 099 196
VAT output payables and VAT input receivables are shown in note .		
All VAT returns have been submitted by the due date throughout the year.		
<b>Councillors' arrear consumer accounts</b>		
The are no Councillors who had arrear accounts outstanding for more than 90 days at 30 June 2017:		
<b>Supply chain management regulations</b>		
In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.		
<b>Current year deviations for 36</b>		
Current year - Emergency Quotations	1 627 578	2 617 976
<b>36. Events after the reporting date</b>		
• There were no adjusting events after reporting period.		
<b>37. Financial instruments disclosure</b>		
<b>Categories of financial instruments</b>		
<b>2017</b>		
<b>Financial assets</b>		

## uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

### Notes to the Annual Financial Statements

Figures in Rand	2017	2016
<b>32. Unauthorised expenditure</b>		
Opening Balance	62 386 684	43 864 067
Current Year	-	18 522 617
<b>Unauthorised expenditure awaiting condonement</b>	<b>62 386 684</b>	<b>62 386 684</b>
<b>33. Fruitless and wasteful expenditure</b>		
Opening Balance	1 052 074	1 052 074
<b>34. Irregular expenditure</b>		
Opening balance	70 512 131	67 861 549
Add: Irregular Expenditure - current year	2 790 463	2 650 582
<b>Irregular expenditure awaiting condonement</b>	<b>73 302 594</b>	<b>70 512 131</b>
<b>35. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Audit fees</b>		
Current year subscription / fee	1 621 679	1 549 041
Amount paid - current year	(1 621 679)	(1 549 041)
	-	-
<b>VAT</b>		
VAT receivable	5 891 508	3 099 196
VAT output payables and VAT input receivables are shown in note .		
All VAT returns have been submitted by the due date throughout the year.		
<b>Councillors' arrear consumer accounts</b>		
The are no Councillors who had arrear accounts outstanding for more than 90 days at 30 June 2017:		
<b>Supply chain management regulations</b>		
In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.		
<b>Current year deviations for 36</b>		
Current year - Emergency Quotations	1 627 578	2 617 976
<b>36. Events after the reporting date</b>		
• There were no adjusting events after reporting period.		
<b>37. Financial instruments disclosure</b>		
<b>Categories of financial instruments</b>		
<b>2017</b>		
<b>Financial assets</b>		

# uMfolozi Municipality

(Registration number KZN281)

Annual Financial Statements for the year ended 30 June 2017

## Notes to the Annual Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

### Financial instruments disclosure (continued)

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	5 454 806	5 454 806
Other receivables from non-exchange transactions	-	59 938	59 938
Cash and cash equivalents	1 610 901	-	1 610 901
	<b>1 610 901</b>	<b>5 514 744</b>	<b>7 125 645</b>

### Financial liabilities

	At amortised cost	Total
Other financial liabilities	7 000 000	7 000 000
Trade and other payables from exchange transactions	32 849 869	32 849 869
Finance lease	7 008 783	7 008 783
	<b>46 858 652</b>	<b>46 858 652</b>

### 2016

### Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	10 802 592	10 802 592
Other receivables from non-exchange transactions	-	80 579	80 579
Cash and cash equivalents	210 604	-	210 604
	<b>210 604</b>	<b>10 883 171</b>	<b>11 093 775</b>

### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	25 163 685	25 163 685
Finance lease	4 258 365	4 258 365
	<b>29 422 050</b>	<b>29 422 050</b>

## Appendix A

### Schedule of external loans as at 30 June 2017

Loan Number	Redeemable	Balance at 30 June 2016	Received during the period	Redeemed written off during the period	Balance at 30 June 2017	Carrying Value of Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
Loan Stock							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Structured loans							
ABSA Term Loan		-	7 000 000	-	7 000 000	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	7 000 000	-	7 000 000	-	-
Funding facility							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Development Bank of South Africa							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-

# Appendix A

## Schedule of external loans as at 30 June 2017

Loan Number	Redeemable	Balance at 30 June 2016	Received during the period	Redeemed off during the period	Balance at 30 June 2017	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
Bonds	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Other loans	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Lease liability	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Annuity loans	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

**Schedule of external loans as at 30 June 2017**

Page 44

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2017 Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land	10 404 853	-	-	-	-	-	10 404 853	-	-	-	-	-	-	10 404 853
Buildings	7 902 206	95 163	-	-	-	-	7 997 369	(4 051 200)	-	-	(294 976)	-	(4 346 176)	3 651 193
	<b>18 307 059</b>	<b>95 163</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18 402 222</b>	<b>(4 051 200)</b>	<b>-</b>	<b>-</b>	<b>(294 976)</b>	<b>-</b>	<b>(4 346 176)</b>	<b>14 056 046</b>
<b>Infrastructure</b>														
Bus Terminals	8 741 595	-	-	-	-	3 195 088	11 936 683	(688 118)	-	-	(344 638)	-	(1 032 756)	10 903 927
Lighting	701 118	-	-	-	-	1 389 362	2 090 480	(151 655)	-	-	(46 527)	-	(198 182)	1 892 298
Pavement	48 417	-	-	-	-	-	48 417	(20 981)	-	-	(1 614)	-	(22 595)	25 822
Road signs	10 800	-	-	-	-	-	10 800	(6 840)	-	-	(360)	-	(7 200)	3 600
Roads	41 186 062	-	-	-	-	25 984 821	67 170 883	(12 087 975)	-	-	(1 806 949)	-	(13 893 924)	53 276 959
Storm-water drainage	205 245	-	-	-	-	-	205 245	(143 672)	-	-	(10 262)	-	(153 934)	51 311
	<b>50 893 237</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30 569 271</b>	<b>81 462 508</b>	<b>(13 099 241)</b>	<b>-</b>	<b>-</b>	<b>(2 209 350)</b>	<b>-</b>	<b>(15 308 551)</b>	<b>66 153 917</b>
<b>Community Assets</b>														
Sports and recreation	9 728 337	-	-	-	-	1 795 473	11 523 810	(1 515 437)	-	(486 500)	(383 550)	-	(2 385 487)	9 138 323
Other community assets	61 559 737	-	-	19 506 707	-	6 874 904	87 941 348	(16 523 170)	-	(938 261)	(2 581 014)	-	(20 043 445)	67 897 903
	<b>71 288 074</b>	<b>-</b>	<b>-</b>	<b>19 506 707</b>	<b>-</b>	<b>8 670 377</b>	<b>99 465 158</b>	<b>(18 038 607)</b>	<b>-</b>	<b>(1 425 761)</b>	<b>(2 964 564)</b>	<b>-</b>	<b>(22 428 932)</b>	<b>77 036 226</b>

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2017 Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Assets Under Construction</b>														
Assets under construction	72 418 439	36 585 107	-	(50 075 978)	-	5 378 684	64 306 252	-	-	-	-	-	-	64 306 252
	<b>72 418 439</b>	<b>36 585 107</b>	<b>-</b>	<b>(50 075 978)</b>	<b>-</b>	<b>5 378 684</b>	<b>64 306 252</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>64 306 252</b>
<b>Leased Assets</b>														
Leased office equipment	1 174 323	-	-	-	-	-	1 174 323	(992 425)	-	-	(172 389)	-	(1 164 814)	9 509
Leased vehicles	6 794 803	3 836 000	-	-	-	-	10 630 803	(2 548 197)	-	-	(1 358 961)	-	(3 907 158)	6 723 645
	<b>7 969 126</b>	<b>3 836 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11 805 126</b>	<b>(3 540 622)</b>	<b>-</b>	<b>-</b>	<b>(1 531 350)</b>	<b>-</b>	<b>(5 071 972)</b>	<b>6 733 154</b>
<b>Other assets</b>														
General vehicles	3 844 112	-	-	-	-	1 584 359	5 428 471	(3 844 107)	-	(442 833)	(127 651)	-	(4 414 591)	1 013 880
Equipment	2 408 215	783 605	-	-	-	-	3 191 820	(1 578 244)	-	-	-	-	(1 578 244)	1 613 576
Furniture & Fittings	2 405 330	20 743	-	-	-	114 870	2 540 943	(1 432 774)	-	(45 948)	(207 157)	-	(1 686 879)	855 064
Other movable assets	631 298	-	-	-	-	-	631 298	(631 298)	-	-	-	-	(631 298)	-
	<b>9 288 955</b>	<b>804 348</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 699 229</b>	<b>11 792 532</b>	<b>(7 486 423)</b>	<b>-</b>	<b>(488 781)</b>	<b>(334 808)</b>	<b>-</b>	<b>(8 310 012)</b>	<b>3 482 520</b>



## Appendix B

### Analysis of property, plant and equipment as at 30 June 2017 Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	18 307 059	95 163	-	-	-	-	18 402 222	(4 051 200)	-	-	(294 976)	-	(4 346 176)	14 056 046
Infrastructure	50 893 237	-	-	-	-	30 569 271	81 462 508	(13 099 241)	-	-	(2 209 350)	-	(15 308 591)	66 153 917
Community Assets	71 288 074	-	-	19 506 707	-	8 670 377	99 465 158	(18 038 607)	-	(1 425 761)	(2 964 564)	-	(22 428 932)	77 036 226
Assets Under Construction	72 418 439	36 585 107	-	(50 075 976)	-	5 378 684	64 306 252	-	-	-	-	-	(5 071 972)	64 306 252
Leased Assets	7 969 126	3 836 000	-	-	-	-	11 805 126	(3 540 622)	-	(488 781)	(1 531 350)	-	(8 310 012)	6 733 154
Other assets	9 298 955	804 348	-	-	-	1 699 229	11 792 532	(7 488 423)	-	-	(334 808)	-	-	3 482 520
<b>230 164 890</b>	<b>41 320 618</b>	<b>-</b>	<b>(30 569 271)</b>	<b>-</b>	<b>-</b>	<b>46 317 561</b>	<b>287 233 798</b>	<b>(46 216 093)</b>	<b>-</b>	<b>(1 914 542)</b>	<b>(7 335 048)</b>	<b>-</b>	<b>(65 485 683)</b>	<b>231 768 115</b>
Assets Under Construction	<b>72 418 439</b>	<b>3 658 511</b>	<b>-</b>	<b>(50 075 976)</b>	<b>-</b>	<b>5 378 684</b>	<b>31 379 656</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31 379 656</b>
<b>Intangible assets</b>														
Computers - software & programming	162 978	1 096 491	-	-	-	-	1 259 469	(151 401)	-	-	(157 776)	-	(309 177)	950 292
<b>162 978</b>	<b>1 096 491</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 259 469</b>	<b>(151 401)</b>	<b>-</b>	<b>-</b>	<b>(157 776)</b>	<b>-</b>	<b>(309 177)</b>	<b>950 292</b>
<b>Investment properties</b>														
<b>Total</b>	<b>302 746 307</b>	<b>46 075 620</b>	<b>-</b>	<b>(80 645 249)</b>	<b>-</b>	<b>51 696 245</b>	<b>319 672 923</b>	<b>(46 367 494)</b>	<b>-</b>	<b>(1 914 542)</b>	<b>(7 492 824)</b>	<b>-</b>	<b>(65 774 860)</b>	<b>284 088 063</b>
Land and buildings	18 307 059	95 163	-	-	-	-	18 402 222	(4 051 200)	-	-	(294 976)	-	(4 346 176)	14 056 046
Infrastructure	50 893 237	-	-	-	-	30 569 271	81 462 508	(13 099 241)	-	-	(2 209 350)	-	(15 308 591)	66 153 917
Community Assets	71 288 074	-	-	19 506 707	-	8 670 377	99 465 158	(18 038 607)	-	(1 425 761)	(2 964 564)	-	(22 428 932)	77 036 226
Assets Under Construction	72 418 439	36 585 107	-	(50 075 976)	-	5 378 684	64 306 252	-	-	-	-	-	(5 071 972)	64 306 252
Leased Assets	7 969 126	3 836 000	-	-	-	1 699 229	11 805 126	(3 540 622)	-	(488 781)	(1 531 350)	-	(8 310 012)	6 733 154
Other assets	9 298 955	804 348	-	-	-	5 378 684	31 379 656	(7 488 423)	-	-	(334 808)	-	-	3 482 520
Assets Under Construction	72 418 439	3 658 511	-	(50 075 976)	-	-	1 259 469	(151 401)	-	-	(157 776)	-	(309 177)	950 292
Intangible assets	162 978	1 096 491	-	-	-	-	1 259 469	(151 401)	-	-	(157 776)	-	(309 177)	950 292

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2016 Cost/Revaluation Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Land and buildings</b>														
Land	10 404 853	-	-	-	-	-	10 404 853	-	-	-	-	-	-	10 404 853
Buildings	7 385 974	516 232	-	-	-	-	7 902 206	(3 812 289)	-	-	(238 911)	-	(4 051 200)	3 851 006
	<b>17 790 827</b>	<b>516 232</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18 207 059</b>	<b>(3 812 289)</b>	<b>-</b>	<b>-</b>	<b>(238 911)</b>	<b>-</b>	<b>(4 051 200)</b>	<b>14 255 859</b>
<b>Infrastructure</b>														
Bus Terminals	2 989 926	-	-	5 751 668	-	-	8 741 594	(417 746)	-	-	(270 371)	-	(688 117)	8 053 477
Lighting	701 118	-	-	-	-	-	701 118	(128 286)	-	-	(23 371)	-	(151 656)	549 462
Pavement	48 417	-	-	-	-	-	48 417	(19 367)	-	-	(1 613)	-	(20 980)	27 437
Road signs	10 800	-	-	-	-	-	10 800	(6 480)	-	-	(960)	-	(6 840)	3 960
Roads	25 924 634	-	-	15 261 428	-	-	41 186 062	(10 728 043)	-	-	(1 359 932)	-	(12 087 976)	29 098 087
Storm-water drainage	205 246	-	-	-	-	-	205 246	(133 409)	-	-	(10 263)	-	(143 672)	61 574
	<b>29 880 141</b>	<b>-</b>	<b>-</b>	<b>21 013 096</b>	<b>-</b>	<b>-</b>	<b>50 893 237</b>	<b>(11 433 330)</b>	<b>-</b>	<b>-</b>	<b>(1 685 910)</b>	<b>-</b>	<b>(13 089 240)</b>	<b>37 793 997</b>
<b>Community Assets</b>														
Sportsfield and Stadiums	9 728 337	-	-	-	-	-	9 728 337	(1 191 159)	-	-	(324 278)	-	(1 515 437)	8 212 900
Community Assets	52 324 067	-	-	9 235 680	-	-	61 559 737	(14 509 978)	-	-	(2 013 193)	-	(16 523 171)	45 036 566
	<b>62 052 394</b>	<b>-</b>	<b>-</b>	<b>9 235 680</b>	<b>-</b>	<b>-</b>	<b>71 288 074</b>	<b>(15 701 137)</b>	<b>-</b>	<b>-</b>	<b>(2 337 471)</b>	<b>-</b>	<b>(18 038 608)</b>	<b>53 249 466</b>

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2016 Cost/Revaluation Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Leased assets</b>														
Office Equipments	1 174 323	-	-	-	-	-	1 174 323	(734 111)	-	-	(258 314)	-	(992 425)	181 898
Vehicles	5 973 058	821 744	-	-	-	-	6 794 802	(1 216 702)	-	-	(1 331 484)	-	(2 548 196)	4 246 606
	<b>7 147 381</b>	<b>821 744</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7 969 125</b>	<b>(1 950 813)</b>	<b>-</b>	<b>-</b>	<b>(1 589 808)</b>	<b>-</b>	<b>(3 540 621)</b>	<b>4 428 504</b>
<b>Assets Under Construction</b>														
Assets under construction	55 468 424	47 198 791	-	(30 248 776)	-	-	72 418 439	-	-	-	-	-	-	72 418 439
	<b>55 468 424</b>	<b>47 198 791</b>	<b>-</b>	<b>(30 248 776)</b>	<b>-</b>	<b>-</b>	<b>72 418 439</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72 418 439</b>
<b>Other assets</b>														
Equipment	2 148 397	259 818	-	-	-	-	2 408 215	(1 382 378)	-	-	(195 867)	-	(1 578 245)	829 970
Furniture & fittings	1 909 627	495 703	-	-	-	-	2 405 330	(1 244 278)	-	-	(179 026)	(9 459)	(1 432 773)	972 557
Vehicles	631 296	-	-	-	-	-	631 296	(547 125)	-	-	(84 173)	-	(631 296)	-
	<b>4 689 322</b>	<b>755 521</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 444 843</b>	<b>(3 173 781)</b>	<b>-</b>	<b>-</b>	<b>(489 066)</b>	<b>(9 459)</b>	<b>(3 642 316)</b>	<b>1 802 527</b>

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2016

#### Cost/Revaluation

#### Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	17 790 827	516 232	-	-	-	-	18 307 059	(3 812 289)	-	-	(238 911)	-	(4 051 200)	14 255 859
Infrastructure	29 880 141	-	-	-	-	-	50 893 237	(11 433 330)	-	-	(1 685 910)	-	(13 039 240)	37 793 997
Community Assets	62 052 394	-	-	-	-	-	71 288 074	(15 701 137)	-	-	(2 337 471)	-	(18 038 608)	53 249 466
Leased assets	7 147 381	821 744	-	-	-	-	7 969 125	(1 950 813)	-	-	(1 589 808)	-	(3 540 621)	4 428 504
Assets Under Construction	55 468 424	47 198 791	-	-	(30 248 776)	-	72 418 439	-	-	-	-	-	-	72 418 439
Other assets	4 689 322	755 521	-	-	-	-	5 444 843	(3 173 781)	-	-	(459 066)	(9 489)	(3 642 316)	1 802 527
	<b>177 028 489</b>	<b>49 292 288</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>226 320 777</b>	<b>(36 071 350)</b>	<b>-</b>	<b>-</b>	<b>(6 291 166)</b>	<b>(9 489)</b>	<b>(42 371 985)</b>	<b>183 948 792</b>
<b>Agricultural/Biological assets</b>														
Intangible assets														
Computers - software & programming	162 978	-	-	-	-	-	162 978	(118 807)	-	-	(32 595)	-	(151 402)	11 576
	<b>162 978</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>162 978</b>	<b>(118 807)</b>	<b>-</b>	<b>-</b>	<b>(32 595)</b>	<b>-</b>	<b>(151 402)</b>	<b>11 576</b>
<b>Investment properties</b>														
Total														
Land and buildings	17 790 827	516 232	-	-	-	-	18 307 059	(3 812 289)	-	-	(238 911)	-	(4 051 200)	14 255 859
Infrastructure	29 880 141	-	-	-	-	-	50 893 237	(11 433 330)	-	-	(1 685 910)	-	(13 039 240)	37 793 997
Community Assets	62 052 394	-	-	-	-	-	71 288 074	(15 701 137)	-	-	(2 337 471)	-	(18 038 608)	53 249 466
Leased assets	7 147 381	821 744	-	-	-	-	7 969 125	(1 950 813)	-	-	(1 589 808)	-	(3 540 621)	4 428 504
Assets Under Construction	55 468 424	47 198 791	-	-	(30 248 776)	-	72 418 439	-	-	-	-	-	-	72 418 439
Other assets	4 689 322	755 521	-	-	-	-	5 444 843	(3 173 781)	-	-	(459 066)	(9 489)	(3 642 316)	1 802 527
Intangible assets	162 978	-	-	-	-	-	162 978	(118 807)	-	-	(32 595)	-	(151 402)	11 576
	<b>177 191 467</b>	<b>49 292 288</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>226 483 755</b>	<b>(36 190 157)</b>	<b>-</b>	<b>-</b>	<b>(6 323 761)</b>	<b>(9 489)</b>	<b>(42 523 387)</b>	<b>183 960 368</b>